

September 2005

No. 263

U.S. Sole Proprietorships: A Gender Comparison, 1985-2000

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Small Business Administration Office of Advocacy
2005. [59] pages

Purpose

Using the 1985-2000 U.S. sole proprietorship database, tabulated by the Statistics of Income (SOI) Division of the Internal Revenue Service for Office of Advocacy of U.S. Small Business Administration (SBA), this study attempts to answer the following research questions: What are the growth patterns of male and female sole proprietorships? Is there any earning differential along gender lines? Is there any industrial gender segregation among business owners? The dataset provides unique information about U.S. sole proprietorship in terms of business size and owner's marital status within 10 industrial classifications, six broad industry categories, and the 10 most populous states. For a shorter version of the study, please visit <http://www.irs.gov/taxstats/article/0,,id=140138,00.html>.

Overall Findings

Between 1985 and 2000, female-owned sole proprietorships grew at a faster rate than those owned by men. Business earnings and activities are different among male and female business owners.

Highlights

- About 73 percent of total U.S. firms operated as sole proprietorships in 1997. More than half of the total proprietors were "moonlighters" in 1999.
- Female-owned sole proprietorships grew much faster than their male-owned counterparts in terms of number of businesses, gross receipts, and net income. The growth rate of net income for all proprietors was higher than that of the number of businesses and gross receipts. The shares of female-owned sole proprietorships' receipts and net income in total were significantly smaller than their share of

the number of businesses.

- A higher proportion of male than female sole proprietors operate larger businesses; but a higher proportion of total gross receipts are more evenly distributed among medium-sized women-owned sole proprietorships.
- A higher proportion of female than male sole proprietors were not married. More and more female business owners became heads of households with dependents between 1985 and 2000.
- Gender segregation seemed to exist in the ten industrial classifications: "carpentering and floor contractor" and "miscellaneous special trade contractors" were dominated by male-operated sole proprietorships, while "beauty shops" and "child day care" were dominated by women. This segregation created a unique opportunity for sole proprietors' businesses to grow in their counterpart's territory.
- There was nearly the same proportion of male businesses as female businesses engaged in the same industry. Nearly two thirds of female sole proprietors were in the services industry. The highest growth for female businesses was in transportation, communications, and utilities; for male businesses it was in agricultural services, forestry, and fishing.
- Sole proprietorships have been more and more concentrated in large states since 1985. By 2000, about 55 percent of U.S. sole proprietorships were concentrated in the 10 most populous states, accounting for 63 percent of business receipts and 59 percent of net income. Among these 10, Florida was the most nurturing state for sole proprietorship business growth, followed by New York and North Carolina.

Scope and Methodology

The 1985-2000 sole proprietorship data were compiled from tables provided to the Office of Advocacy

of the U.S. Small Business Administration (SBA) by the Statistics of Income Division (SOI) of the Internal Revenue Service under an interagency agreement.

The data were estimated from samples of individual tax returns with Schedule C's, the tax form used to report activity from a nonfarm sole proprietorship. SOI tabulates information from a stratified random sample of returns with Schedule C's each year and publishes an article about them in the summer issue of the Statistics of Income Bulletin. SOI tables provide detail by gender on the number of sole proprietorships, the size of the businesses, aggregate business receipts, and net income. These tables include:

- All sole proprietorships, sorted into 6 broad industry categories;
- All sole proprietorships, sorted into 7 gross receipts classes;
- All sole proprietorships, sorted into 7 net income classes;
- All sole proprietorships, sorted into 4 filing (marital) statuses;
- Sole proprietorships in the 10 most populous States; and
- Sole proprietorships engaged in the 10 major industrial activities.

This report was peer-reviewed consistent with Advocacy's data quality guidelines. More information on this process can be obtained by contacting the Director of Economic Research at advocacy@sba.gov or (202) 205-6533.

For More Information

The full text of this report and summaries of other studies performed under contract with the U.S. Small Business Administration's Office of Advocacy are available on the Internet at www.sba.gov/advo/research.

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